

PRACTICAL ECONOMIC ASPECTS OF MEASURES INFLUENCING MOUNTAIN RESORTS IN THE CZECH REPUBLIC

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Abstract

This paper provides qualitative data on the situation after imposing measures on mountain resorts. The actions that the article is examining are preferably the lockdown due to pandemic and subsidies following this lockdown. In qualitative data, we search for the valid question because it is relevant to ask for these measures' impact in practical and theoretical scope.

To question, one has to analyze situations. An analysis is done with primary and secondary data. The former are interviews. The latter are descriptions of mountain resorts examined in Bohemia regions and Czech Silesia regions. For achieving data triangulation, there is additional material in brief visual material presenting products of the mountain resorts. After preparing questions for qualitative research, it was possible to carry out structured interviews with either owners or managers of the resort. The analysis of primary information found in interviews allowed us to identify a handful of questions. These questions will estimate the impact of measures taken so far in an existing situation or be retaken in similar future cases.

Keywords: regional economics, managerial decision-making, tourism

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Introduction

There is a quote by a statistician John Wilder Tukey: "Finding the question is often more important than finding the answer." Identifying question(s) was a prime goal of this paper, i.e., finding a question on the horizon for mountain resorts` recovery. Rephrasing it without poetry (together with (Giuntarelli, 2020)) question sets conditions for the right and appropriate use of the power of nature for healing. Paper comes from presumptions that natural signs of wealth in mountain resorts are in the form of air, climate, silence, woods, meadows, and activity to regain strength for people. Thus, the double sword is to be found to answer the question for resort recovery as for its users and employees, owners, stakeholders.

It is either owner of a mountain resort that will survive on its resources or (s)he will survive with help in the form of a loan, supportive measures, investments. The government can offer the possibility of various supportive measures. No matter which option will be taken to fit the needs of the resort, it always has to be perceived as an investment. Most investments expect a return. For a government subsidy perceived as an investment applies that one has to see how it is returned. What kind of requirements would be appropriate in such a business as mountain resorts where skiing could be one of the most frequent activity. There are already stakeholders in mountain resorts, and the government becomes an extra one.

Supply-side measures addressed on mountain resorts can be reflected in community health benefits and lessening of crime. Health benefits are relatively straightforward: relaxation from walking, cycling, various types of sledges (snow tube, bobsleigh) and skiing can be evaluated in terms of utility (DWL – deadweight loss 2019). Compared with investments, is utility almost invisible. For instance, a utility that is derived based on sports activities in mountain resorts.

Mountain resorts are claiming to have hard times. Suppose they will have to be saved by themselves or others, such as a business angel or government. Thus there must be the right questions for loss of benefits and investment returns.

1 Steps of the research and their limitations

The structure of the paper and relevant theory to be applied is the theory that overlaps economics focused on:

- Microeconomic foundations in respect to companies' profitability, returns on scale and the like. It is reflected in part 2 of the paper
- Theory of externalities that are reflected in social returns on investments. A note here: social returns are in a realm of externalities, i.e. health, crime and the like (to be found in part 2 and 3 of the paper)
- Macroeconomic perspective (reflects part 3 of the paper) of the context is a cape stone of the practical economic aspects in particular life of entrepreneurs, who were influenced by measures taken by community living in particular areas, countries. The impact is both directions from macroeconomic measurement on entrepreneur and back. For instance, increase or decrease of employed persons or sustainability of mountain resort as a place with regional uniqueness.

In general, any quantitative research aims to find a hypothesis and reason it through analytical induction. The research design is to compare the interview with one another in its

three main parts. Parts are a perception of the regional context, economic indicators and measurements.

In order to question, one has to analyze the situation. This is done with primary and secondary data. Primary data are interviews; secondary data are descriptions of mountain resorts examined. For achieving data triangulation, there is additional material in the form of brief skimming of text concerning the mountain resorts evaluation from one year ago.

2 Primary and secondary data to mountain resorts analysis

Mountain resort (MR) activities are a part of tourism, sport, and health care. MR definition is a mixed good with various features. First, MR's good consists of travel for hiking (summer) or skiing (winter) experience, thus a consumer becoming a tourist. Second, relaxation, finding friends and health improvement are mostly linked with a stay in MR. All quotations from respondents were translated. Any mistakes in translation are blamed on solely the authors.

2.1 Primary data - interviews and sample combined with description from secondary data

The MR are predominantly focused on families and children based on primary and secondary data (picture analysis, where possible). Children are a particular category to provide the training for skiing or simply having fun on vacation. Recreation, relaxation and meeting friends or unknowns is ubiquitous or self-evident marketing purpose of resorts. Facilities for children and families amplify. As for research of secondary data, we were allowed to take advantage of a picture from the web pages of MR. In order to keep our respondent anonymized, we do not present pictures here. Comparison of presentation of MR supports the fact of family and children are a prime category of consumers.

Furthermore, photos have to present a pleasant atmosphere (smiling people, community), which is intensified by background. The typical background is hills, trees, clear sky and air, sun, a small chalet at the edge of the picture or some facility also at the edge of a photo. Pictures tend to loom emotions (optimistic, pleased, delighted, renewed, vibrant) and attract consumers – community finding utility in a combination of some sports activity and having a chance to stare at the horizon. Visual presentation of MR product underlines mixed character (tie-in sale) of services MR provides. Our sample was covering two regions in the Czech Republic. Respondents were from three groups: (1) authorities, (2) mountain resorts representatives, (3) stakeholders. Emphasis was given to the second group. In order to contact respondents, the snowball sampling technique was used.

2.2 Results of interviews

Part 1 - Perception of regional context - Scenes that were identified (1) before the outbreak, (2) after the start of pandemics.

First scene: Companies that form their creative production of services and goods (combined, complex) have mostly a long tradition over decades. Long tradition together with a family-like attitude for sport was common for almost all respondents. These two features set a favourable scene to run a business in a mountain resort. Our query also asked about stakeholders and business in the supply chain of a good that we can label as "sport activity". Consumer perspective (sportsman) is included partly in the research scope. The way mountain resort focuses on consumer niche. Families and children are the number one focus. Often it is a child, and it is learning skiing or having fun as a service target.

In this everyday routine, the pandemic sets in. Respondents agreed that they had learned it by chance, primarily in media. As services are paid at the end of the stay, there were not many to ask for money back. However, activities were planned, such as races and festivities prepared in terms of invested time and money (artificial snowing, stock of foods, gadgets). Illustrative quotes follow: *"My colleagues have called and told us we have to close. Then I make sure of that by calling responsible"* SKI04M. *"We were watching TV, and by chance, it was announced there. Otherwise, there was nobody to tell."* SKI02B

Second scene: Pandemic more or less started at the end of the winter season. It was a coincidence that the summer season was supportive, for many were willing to spend time outdoors and not abroad. Some opportunities to earn money were omitted and even had cause loss. Respondents express their cancelled plans: *"There was a race planned that did not take place at all."* SKI04M Preparations were done. It was last minute cancelled, which also applies for less formal activity in other MR claimed by respondent SKI02B: *"Children's activity had to be given up."* The disappointment was not only for racers or children; it was quite an abrupt and sudden announcement. Nonetheless, our respondents firmly believed that closure would last only for two weeks, and they open again. This belief, as it is known, was not valid.

The regional economy was found until March 2020 in a stable state concerning the MR operating. Therefore, business linked to mountain resorts was attractive employment for families and active people who enjoy physical education and bodybuilding activities. Visitors have a good record of finding a place to their tastes. Also, combine a time of a year for their fulfilment of wishes. Numbers we have averaged from respondents for season summer and winter illustrate that the summer season in a mountain resort is even more important than the

winter season. All visitors are combined from the community. This community could be perceived mountain community in two groups permanent and temporary. A permanent community has to have a chalet in the mountain's proximity, and a temporary community is instead driven by interest and planned trips (one-day round trip or stay).

Tab. 1: Illustration of community volume for mountain resorts (average number of visitors in interviewed resorts)

Season	Bohemia regions			Czech Silesia regions		
	2019	2020	2021 (estimate)	2019	2020	2021 (estimate)
Winter	63 420	20 087	2 667	84 750	66 500	NA
Summer	29 563	29 383	27 394	12 000	6 940	10 000

Source: own – primary data of interviews, NA – not available, considering changes

Describing summer season activities from MR's point of view follows. Visitors appreciate opportunities and variation on their trip, such as biking (that is accurate for children). Typical for biking is terrain prepared for this activity, bike rental, starting point and point of visit for instance: lookouts on the way, springs, game reserves, parks, castles and at the end some restaurant. Table 1 suggests that the summer season might be favourable for MR concerning visitor number beginning 2020. It could be deduced that the summer season in the Czech mountain resorts is an additional option for making money. It is 10-15% of sales (based on interview SKI02B) of the winter season.

Part 2 - Economy indicators. As mentioned in part one, the significance of the summer season is growing and is on the verge of success for MR. In other words, it could be suggested as a way out of pandemic problems. Consider that costs during the summer season can, in most cases, be lower, and this can counterbalance the winter loss. Return on Sales (ROS) was calculated for one respondent (see Tab. 2) to perceive the situation of relatively minor MR. According to other respondents; they used up the buffers they had. Money for investments are used in different way, and the investment itself is postponed.

Tab. 2: Illustration of a change in rentability of sales

Year	2019	2020
Earnings after taxes (CZK)	81 193	-58 852
Sales (CZK)	415 418	352 582
ROS (%)	19,54	-16,69

Source: own – primary data of interviews

In order to produce artificial snow, the supply of energy has to be ordered in advance. This fact makes it unpredictable to know if those costs will be covered or not. Wages of employees that only work in the winter season was paid to be prepared in case of opening otherwise MR will not find professions for running all kind of facilities. On this point shall be understood that hardly any government support was applicable here in 2019-2020 winter season, depending on matching the conditions with reality.

Part 3 - Measurements

Also, this part can be split into two scenes: (1) First scene: before the pandemic – businesses were operating in line with their business plans. They have been able to cope with some somewhat predictable problems. (2) Second scene: after the outbreak, there were no expectations of a lengthy lockdown and restrictions. The support schemes in 2020 were not used. The program called Antivirus 2021 is a positive measure. "It helps to keep positions of employees, and I am thankful for it." SKI04M. The respondents really confirmed that: "...this measure works perfectly." SKI06M. Seasonal employment is difficult to handle. Problems arose with loans that were already approved for finance in 2019 or before pandemics. Such investments often cannot be postponed as it usually involves building new facilities. Providing that investment has started, its cancellation would cost half of the lumpsum and create only a loss. On the other hand, a finished investment is a chance to make money from the sacrifice and risk. In the circumstances described, the businessmen were left alone to decide on investments under the uncertainty of pandemics. One thing MR respondents were sure of is: "People have a mood to enjoy hills, nature and sports outdoor." SK06M. Such an attitude coincides with the crux of the business in MR, i.e. family-like business (frequently) or at least business run with a passion of a family that wishes every consumer to enjoy nature. Motivation just explained in these words stands as a reason for decisions taken in hardships of hardly any supportive measures.

3 Discussion over recommendations

"MRs` tourism creates an additional 25% of jobs in its regions" (Tůma, 2014). As it was also confirmed by respondents and their reaction on estimating the stakeholders and consumption stimulated by MR: "Say 50 persons" SKI02B and that could be correct on average per our small sample. Complementary information an average for 2008-2018 is 2 693 employees (OECD, 2018) in the sports industry. Furthermore, it is 4,2 % Average Annual Growth rate (AAGR) in sport employment for 2014-2019. The gender balance illustrates the proportion of men work 64% in

the sports sector as of 2019 (Eurostat, 2020). Both male and female in the sports industry make it for 0,7% of the total employment in the Czech Republic (Eurostat, 2020). Obviously, not all of these employees work in the sports industry for MR.

Investment in peoples training (used as an option to keep idle employees in activity) and investments in new facilities are made to achieve benefits. Economic benefits were already illustrated in ROS (Tab. 2). As suggested by other authors, quoted below, there are social benefits as well.

This qualitative research was inspired by SROI, i.e. Social return on investment. SROI is a method similar to Cost-Benefit Analysis – CBA (Keane et al., 2019). SROI emphasizes more the role of stakeholders (Millar & Hall, 2013).

Calculating SROI includes these steps: (1) Identifying stakeholders of mountain resorts, (2) Qualitative mapping of outcomes such as relaxation, health benefits, (3) Measuring and evaluating outcomes means finding a good proxy for health benefits, (4) Establishing sector impacts or intervention, subvention and the like

SROI calculation is based on using

- either (1) formula (Keane et al., 2019):

$$\begin{aligned} & (\text{financial proxy for outcome} \times \text{quantity of outcome}) - \\ & (\text{minus}) (\text{deadweight} + \text{displacement} + \text{attribution}) \times \\ & (\text{times}) \text{duration (adjusted for drop off and discount rate)} = \text{SROI ratio} \end{aligned} \quad (1)$$

- or (2) formula (Millar & Hall, 2013):

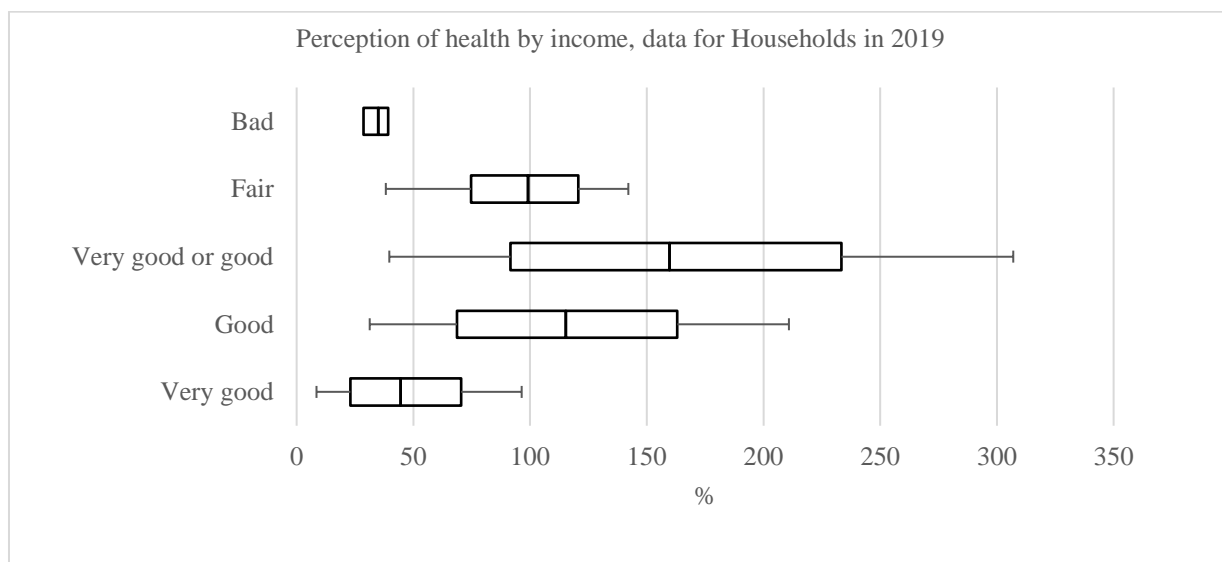
$$\text{SROI} = \frac{\text{Net Present Value of Benefits}}{\text{Net Present Value of Investment}} \quad (2)$$

To find standard proxy data for health benefits was possible on the total population level. The distinction of income quintiles can provide the proxy for consumers of MR services. The fifth (higher) equivalised income quantile households (including 2 adults and 2 children) perceived their health as good or very good (83,7%), comparing with lower quantile 62% for the same perception. Households of this feature are more prone to travel to MR. Possible benefits could be estimated (see figure 1). An objection is correct to raise that it is not clear how MR is sustaining this health.

As it was rightly pointed out (Davies et al., 2021), injuries or the spread of infection after a pandemic could be less beneficial for health. Contrary, a mountain resort with a good

climate can most likely support the healing of long-lasting health issues. The formulas (1) and (2) can be influenced by mentioned factors both ways.

Fig. 1: Possible health benefits illustration



Source: own (Eurostat, 2021)

In order to support people willing to have sports facilities and utility as already described it is recommended to prepare a vision for next couple of years. This vision shall also incorporate utility that is not represented in financial performance. Recommendation of Blended Value Accounting (BVA) is one to fulfil criteria on managing non-financial performance. BVA approaches represent an attempt to measure generated impact and concentrate on involving stakeholders to strengthen the organization's credibility. (Manetti, 2014)

Conclusion

The handful of questions to be asked by society is what we expect MR to be like in five years. Question: "What is the most appropriate goal to require from an investment in MR" is also addressing a social return on investments. A society's answer includes subsets of visitors: permanent and temporary community groups. The even smaller subset are the stakeholders of MR. It may seem too vague to have a vision for MR in all regions of the Czech Republic for the next five years. One could label it as strategy or mission. Indeed, it is toil to keep alive mixed good of sports facilities placed amidst of nature.

The benefits of MR are somewhat achievable with a strategy. We are convinced from interviews that the community is willing to achieve them for ourselves, for stakeholders. In a

manner of achieving it, there are different opinions. In our sample, there has been "self-made men" proving that dreams are coming true. Most of them had a dream of their own company that provides specific good: be it training and fun for any age group or others already mentioned. In this new type of crisis – a pandemic crisis – a business person and owner of a dream is about to stay aware of unpredictable events and adjust to them with all capabilities. Probably, using SROI will convince more than a dream for striving further for good. The dream is not outdated. It is only another way how to grasp it.

Not only unemployment would increase by losing MR activity, meaning employees working for mountain resorts directly. Subsequent macroeconomic problems may arise. One more minor visible problem is the loss of benefits – social benefits in health, relaxation and the like. Another danger is that the companies would be sold to foreign investors who will, as non-resident, be generating profits outside the Czech Republic.

To question, one has to analyze situations. An analysis was done with primary and secondary data. The former are interviews. The latter are descriptions of mountain resorts examined. For achieving data triangulation, there is additional material mentioned in brief. After preparing questions for qualitative research, it was possible to carry out structured interviews with either owners or managers (responsible person) of the resort. The analysis of primary information found in interviews allowed us to identify a handful of questions. These questions will estimate the impact of measures taken so far in an existing situation or be retaken in similar future cases.

Paper covers insights into the economy in mountain resorts as a foundation for evaluating the government's measures. The measure could be in the form of an investment that the government offers when benefits outweigh pandemics loss. It is correct to address the benefits to stakeholders of mountain resorts (employees, owners, users). This way, there are direct benefits in decreasing unemployment, i.e. job seeking for employees working for several mountain resorts facilities. Employees of numerous facilities looking for a job would be a macroeconomic problem. On the other hand, if facilities are supported, the benefit is straightforward.

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